



Claire McCaskill

Missouri State Auditor

September 2005

Mercer County, Missouri

Years Ended

December 31, 2004 and 2003



Office Of
Missouri State Auditor
Claire McCaskill

September 2005

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Mercer, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Mercer County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The County Clerk and County Treasurer do not reconcile their accounting records on a monthly basis. As a result, both officials' records were inaccurate at times and varied from actual receipts, disbursements, and cash balances per audit. In addition, semi-annual settlements prepared by the County Treasurer were not accurate and actual receipts and disbursement amounts reported on the budget by the County Clerk did not agree to her financial records. Had the County Clerk and County Treasurer made attempts to reconcile their records, the errors noted could have been detected and corrected in a timely manner.
- The County Commission approved expenditures in excess of budgeted amounts for several funds during the years ended December 31, 2004 and 2003. Apparently, budget to actual reports are not adequately monitored.
- The county and Health Center did not adequately track or report federal assistance on the schedule of expenditures of federal awards. Spending on their major program, Highways Planning and Construction, was overstated by approximately \$31,000 and five other non-major programs were not reported. The Health Center failed to report vaccines distributed by the state Department of Health and Senior Services.
- Bidding procedures are not adequate, resulting in several instances where bids were not solicited by the county. Duplicate payments were made to several vendors as invoices are not marked paid. Additionally, actual itemized charge receipts are not usually submitted for credit card charges.
- Several possible conflicts of interest among county officials were noted. A former Associate County Commissioner indicated he abstained from approving a contract with a local rock quarry from which he receives royalties, but the abstentions were not documented in the minutes. Payments were made to relatives of some other county officials, however, decisions were not clearly documented in commission minutes.

(over)

YELLOW SHEET

- The salary of a deputy county clerk was not taken into consideration when calculating the administrative transfers from the Special Road and Bridge Fund to the General Revenue Fund. In addition to making the maximum administrative transfer, approximately \$17,000 in salary and fringe benefits were paid from the Special Road and Bridge Fund to this deputy.
- The daily business of the County Commission is not adequately documented in the minutes and documentation of notices for meetings are not retained. In addition, minutes were not always prepared for closed meetings as required by law.
- The county has reduced excess property tax collections from prior years, but still has not sufficiently reduced its levy for the amount of sales tax collected.
- Health Center credit card bills are not paid timely, resulting in late fees and finances charges being incurred. Backup computer disks of financial information are not stored off-site and a formal contingency plan has not been developed. Documentation of notices for meetings are not retained, minutes of closed meetings are not prepared, and open minutes did not always document the related vote to close the meeting, reasons for closing the meeting, or the final disposition of some matters discussed in closed session. In addition, capital asset records are in need of improvement.
- The Ex Officio County Collector does not issue receipt slips for current tax payments or partial payments on delinquent taxes and documentation of the transmittal of current tax payments to the township collectors is not maintained. The County Clerk does not maintain an account book with the Ex Officio County Collector and the bond amount for the Collector is less than required by law. In addition, the interest rate earned on the Ex Officio County Collector's bank account is considerably less than what is paid by the county's depository bank.

Also included in the audit were recommendations related to salaries and personnel matters, general capital assets, usage logs for county vehicles, township controls and procedures, computer system controls, and Sheriff's procedures.

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MERCER COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Mercer County, Missouri, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between those regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Mercer County, Missouri as of December 31, 2004 and 2003, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2004 and 2003, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 14, 2005, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Mercer County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

April 14, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Julie Vollmer
Audit Staff:	Gek Mui Melinda Tan
	Christopher L. Holder



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Mercer County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Mercer County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-1.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 14, 2005 (fieldwork completion date)

Financial Statements

Exhibit A-1

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2004

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 35,639	657,513	628,641	64,511
Special Road and Bridge	163,941	789,966	739,195	214,712
Assessment	20,513	69,931	65,679	24,765
Prosecuting Attorney Training	321	245	470	96
Law Enforcement Training	366	1,456	750	1,072
Recorder's User Fees	7,270	3,878	1,513	9,635
Domestic Violence	80	185	160	105
Prosecuting Attorney Delinquent Tax	37	1	0	38
Prosecuting Attorney Bad Check	148	4,507	4,528	127
Sheriff's Special	3,385	6,928	7,265	3,048
FEMA	10,000	26,940	36,940	0
Tax Maintenance	1,196	4,963	4,842	1,317
Circuit Clerk Interest	569	12	0	581
Division II Interest	241	10	119	132
Law Library	62	2,840	2,609	293
Health Center	69,638	378,690	315,832	132,496
Law Enforcement Sales Tax	0	43,673	0	43,673
Sheriff's Revolving	0	667	0	667
Total	\$ 313,406	1,992,405	1,808,543	497,268

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 65,643	622,067	652,071	35,639
Special Road and Bridge	168,357	969,130	973,546	163,941
Assessment	16,166	68,465	64,118	20,513
Prosecuting Attorney Training	281	240	200	321
Law Enforcement Training	1,010	2,055	2,699	366
Recorder's User Fees	9,305	3,820	5,855	7,270
Domestic Violence	50	140	110	80
Prosecuting Attorney Delinquent Tax	159	18	140	37
Prosecuting Attorney Bad Check	531	4,249	4,632	148
Sheriff's Special	2,486	8,723	7,824	3,385
FEMA	86,813	11,954	88,767	10,000
Tax Maintenance	596	4,470	3,870	1,196
Circuit Clerk Interest	558	34	23	569
Division II Interest	332	39	130	241
Law Library	34	2,788	2,760	62
Health Center	45,711	362,416	338,489	69,638
Total	\$ 398,032	2,060,608	2,145,234	313,406

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 1,911,442	1,948,065	36,623	2,219,582	2,060,608	(158,974)
DISBURSEMENTS	2,030,384	1,808,543	221,841	2,380,647	2,145,234	235,413
RECEIPTS OVER (UNDER) DISBURSEMENTS	(118,942)	139,522	258,464	(161,065)	(84,626)	76,439
CASH, JANUARY 1	313,406	313,406	0	398,032	398,032	0
CASH, DECEMBER 31	194,464	452,928	258,464	236,967	313,406	76,439
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	170,000	177,051	7,051	180,000	168,033	(11,967)
Sales taxes	250,000	295,805	45,805	275,000	250,536	(24,464)
Intergovernmental	63,750	63,153	(597)	82,250	89,426	7,176
Charges for services	46,500	41,558	(4,942)	46,700	44,793	(1,907)
Interest	2,500	15,175	12,675	4,000	2,386	(1,614)
Other	42,709	41,915	(794)	34,810	37,697	2,887
Transfers in	29,800	22,856	(6,944)	33,500	29,196	(4,304)
Total Receipts	605,259	657,513	52,254	656,260	622,067	(34,193)
DISBURSEMENTS						
County Commissioner	59,024	59,024	0	60,524	60,190	334
County Clerk	49,152	49,621	(469)	60,303	57,037	3,266
Elections	11,300	17,634	(6,334)	4,250	5,311	(1,061)
Buildings and grounds	47,396	48,744	(1,348)	47,496	53,840	(6,344)
Employee fringe benefit	59,200	61,979	(2,779)	75,850	74,852	998
County Treasurer	36,373	36,834	(461)	37,543	39,184	(1,641)
Circuit Clerk	3,950	3,759	191	5,350	4,001	1,349
Associate Circuit Court	4,000	3,347	653	5,400	3,851	1,549
Court administration	7,314	5,010	2,304	8,479	2,573	5,906
Public Administrator	16,440	16,396	44	16,850	17,245	(395)
Sheriff	178,395	180,446	(2,051)	190,228	184,646	5,582
Jail	14,000	7,241	6,759	13,000	17,669	(4,669)
Prosecuting Attorney	54,700	54,862	(162)	59,050	53,683	5,367
Juvenile Officer	14,528	4,262	10,266	13,985	5,732	8,253
County Coroner	6,990	6,990	0	6,990	6,990	0
Township collector	1,000	1,865	(865)	2,500	2,176	324
Court Reporter	500	40	460	750	468	282
University Extension	5,000	10,500	(5,500)	15,000	10,000	5,000
Insurance	21,000	20,473	527	12,000	21,986	(9,986)
Other	27,700	39,614	(11,914)	30,500	30,637	(137)
Emergency Fund	17,705	0	17,705	19,388	0	19,388
Total Disbursements	635,667	628,641	7,026	685,436	652,071	33,365
RECEIPTS OVER (UNDER) DISBURSEMENTS	(30,408)	28,872	59,280	(29,176)	(30,004)	(828)
CASH, JANUARY 1	35,639	35,639	0	65,643	65,643	0
CASH, DECEMBER 31	5,231	64,511	59,280	36,467	35,639	(828)

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	25,800	26,572	772	30,135	25,980	(4,155)
Sales taxes	63,000	71,527	8,527	70,000	62,542	(7,458)
Intergovernmental	737,000	627,411	(109,589)	875,000	738,909	(136,091)
Charges for services	3,000	2,225	(775)	3,000	2,983	(17)
Interest	4,000	5,021	1,021	4,000	5,223	1,223
Other	27,500	20,270	(7,230)	29,520	44,726	15,206
Transfers in	10,000	36,940	26,940	106,000	88,767	(17,233)
Total Receipts	870,300	789,966	(80,334)	1,117,655	969,130	(148,525)
DISBURSEMENTS						
Salaries	99,200	99,209	(9)	120,240	113,578	6,662
Employee fringe benefit	25,700	24,829	871	33,467	31,645	1,822
Supplies	40,850	32,873	7,977	42,700	40,359	2,341
Insurance	7,500	5,169	2,331	8,500	6,871	1,629
Road and bridge materials	317,000	269,548	47,452	274,000	314,444	(40,444)
Equipment repairs	25,000	14,919	10,081	20,000	22,440	(2,440)
Rentals	500	330	170	500	0	500
Equipment purchases	53,500	56,480	(2,980)	61,000	89,599	(28,599)
Contract labor	500	195	305	500	0	500
Bridge projects	370,000	212,787	157,213	550,000	325,414	224,586
Transfers out	25,000	22,856	2,144	31,000	29,196	1,804
Total Disbursements	964,750	739,195	225,555	1,141,907	973,546	168,361
RECEIPTS OVER (UNDER) DISBURSEMENTS	(94,450)	50,771	145,221	(24,252)	(4,416)	19,836
CASH, JANUARY 1	163,941	163,941	0	168,357	168,357	0
CASH, DECEMBER 31	69,491	214,712	145,221	144,105	163,941	19,836
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	62,985	68,577	5,592	65,500	67,281	1,781
Charges for services	200	479	279	100	198	98
Interest	800	875	75	750	986	236
Total Receipts	63,985	69,931	5,946	66,350	68,465	2,115
DISBURSEMENTS						
Assessor	66,753	65,679	1,074	71,075	64,118	6,957
Total Disbursements	66,753	65,679	1,074	71,075	64,118	6,957
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,768)	4,252	7,020	(4,725)	4,347	9,072
CASH, JANUARY 1	20,513	20,513	0	16,166	16,166	0
CASH, DECEMBER 31	17,745	24,765	7,020	11,441	20,513	9,072

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	232	239	7	256	230	(26)
Interest	9	5	(4)	4	10	6
Other	0	1	1	0	0	0
Total Receipts	241	245	4	260	240	(20)
DISBURSEMENTS						
Prosecuting Attorney	500	470	30	540	200	340
Total Disbursements	500	470	30	540	200	340
RECEIPTS OVER (UNDER) DISBURSEMENTS	(259)	(225)	34	(280)	40	320
CASH, JANUARY 1	321	321	0	281	281	0
CASH, DECEMBER 31	62	96	34	1	321	320
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,000	505	(495)	690	1,040	350
Charges for service:	1,000	933	(67)	1,020	982	(38)
Interest	35	18	(17)	25	33	8
Total Receipts	2,035	1,456	(579)	1,735	2,055	320
DISBURSEMENTS						
Sheriff	2,300	750	1,550	2,500	2,699	(199)
Total Disbursements	2,300	750	1,550	2,500	2,699	(199)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(265)	706	971	(765)	(644)	121
CASH, JANUARY 1	366	366	0	1,010	1,010	0
CASH, DECEMBER 31	101	1,072	971	245	366	121
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for service:	3,600	3,658	58	4,000	3,519	(481)
Interest	200	220	20	160	301	141
Total Receipts	3,800	3,878	78	4,160	3,820	(340)
DISBURSEMENTS						
Ex Officio Recorder of Deed	3,750	1,513	2,237	8,000	5,855	2,145
Total Disbursements	3,750	1,513	2,237	8,000	5,855	2,145
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	2,365	2,315	(3,840)	(2,035)	1,805
CASH, JANUARY 1	7,270	7,270	0	9,305	9,305	0
CASH, DECEMBER 31	7,320	9,635	2,315	5,465	7,270	1,805

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	140	185	45	130	140	10
Total Receipts	140	185	45	130	140	10
DISBURSEMENTS						
Shelter	120	160	(40)	100	110	(10)
Total Disbursements	120	160	(40)	100	110	(10)
RECEIPTS OVER (UNDER) DISBURSEMENTS	20	25	5	30	30	0
CASH, JANUARY 1	80	80	0	50	50	0
CASH, DECEMBER 31	100	105	5	80	80	0
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Charges for service:	16	1	(15)	0	16	16
Interest	2	0	(2)	4	2	(2)
Total Receipts	18	1	(17)	4	18	14
DISBURSEMENTS						
Prosecuting Attorney	50	0	50	100	140	(40)
Total Disbursements	50	0	50	100	140	(40)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(32)	1	33	(96)	(122)	(26)
CASH, JANUARY 1	37	37	0	159	159	0
CASH, DECEMBER 31	5	38	33	63	37	(26)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	4,200	4,495	295	4,000	4,234	234
Interest	15	12	(3)	10	15	5
Total Receipts	4,215	4,507	292	4,010	4,249	239
DISBURSEMENTS						
Prosecuting Attorney	4,288	4,528	(240)	3,800	4,632	(832)
Total Disbursements	4,288	4,528	(240)	3,800	4,632	(832)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(73)	(21)	52	210	(383)	(593)
CASH, JANUARY 1	148	148	0	531	531	0
CASH, DECEMBER 31	75	127	52	741	148	(593)
<u>SHERIFF'S SPECIAL FUND</u>						
RECEIPTS						
Charges for service:	6,700	6,477	(223)	6,050	6,540	490
Interest	75	93	18	100	76	(24)
Other	500	358	(142)	0	2,107	2,107
Total Receipts	7,275	6,928	(347)	6,150	8,723	2,573
DISBURSEMENTS						
Sheriff	8,500	7,265	1,235	6,500	7,824	(1,324)
Total Disbursements	8,500	7,265	1,235	6,500	7,824	(1,324)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,225)	(337)	888	(350)	899	1,249
CASH, JANUARY 1	3,385	3,385	0	2,486	2,486	0
CASH, DECEMBER 31	2,160	3,048	888	2,136	3,385	1,249

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FEMA FUND</u>						
RECEIPTS						
Intergovernmental	10,000	26,940	16,940	30,000	11,954	(18,046)
Total Receipts	10,000	26,940	16,940	30,000	11,954	(18,046)
DISBURSEMENTS						
Transfers out	10,000	36,940	(26,940)	110,000	88,767	21,233
Total Disbursements	10,000	36,940	(26,940)	110,000	88,767	21,233
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(10,000)	(10,000)	(80,000)	(76,813)	3,187
CASH, JANUARY 1	10,000	10,000	0	86,813	86,813	0
CASH, DECEMBER 31	10,000	0	(10,000)	6,813	10,000	3,187
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	4,800	4,943	143	3,500	4,380	880
Interest	90	20	(70)	0	90	90
Total Receipts	4,890	4,963	73	3,500	4,470	970
DISBURSEMENTS						
Ex Officio County Collector	5,700	4,842	858	3,870	3,870	0
Total Disbursements	5,700	4,842	858	3,870	3,870	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(810)	121	931	(370)	600	970
CASH, JANUARY 1	1,196	1,196	0	596	596	0
CASH, DECEMBER 31	386	1,317	931	226	1,196	970
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	35	12	(23)	80	34	(46)
Total Receipts	35	12	(23)	80	34	(46)
DISBURSEMENTS						
Circuit Clerk	100	0	100	100	23	77
Total Disbursements	100	0	100	100	23	77
RECEIPTS OVER (UNDER) DISBURSEMENTS	(65)	12	77	(20)	11	31
CASH, JANUARY 1	569	569	0	558	558	0
CASH, DECEMBER 31	504	581	77	538	569	31
<u>DIVISION II INTEREST FUND</u>						
RECEIPTS						
Interest	6	10	4	80	39	(41)
Total Receipts	6	10	4	80	39	(41)
DISBURSEMENTS						
Associate Circuit Judge	100	119	(19)	100	130	(30)
Total Disbursements	100	119	(19)	100	130	(30)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(94)	(109)	(15)	(20)	(91)	(71)
CASH, JANUARY 1	241	241	0	332	332	0
CASH, DECEMBER 31	147	132	(15)	312	241	(71)

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	3,000	2,840	(160)	3,000	2,788	(212)
Total Receipts	3,000	2,840	(160)	3,000	2,788	(212)
DISBURSEMENTS						
Law library	3,000	2,609	391	3,000	2,760	240
Total Disbursements	3,000	2,609	391	3,000	2,760	240
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	231	231	0	28	28
CASH, JANUARY 1	62	62	0	34	34	0
CASH, DECEMBER 31	62	293	231	34	62	28
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	150,000	158,524	8,524	150,000	148,854	(1,146)
Intergovernmental	98,743	100,636	1,893	91,788	99,380	7,592
Charges for service:	82,200	111,427	29,227	82,250	111,480	29,230
Interest	300	538	238	400	447	47
Other	5,000	7,565	2,565	1,770	2,255	485
Total Receipts	336,243	378,690	42,447	326,208	362,416	36,208
DISBURSEMENTS						
Salaries	192,184	198,235	(6,051)	170,779	169,037	1,742
Employee fringe benefit	25,500	25,221	279	36,700	22,282	14,418
Program expenditures:	29,800	29,744	56	22,509	25,154	(2,645)
Office expenditures:	38,760	24,598	14,162	25,360	31,216	(5,856)
Maintenance and equipment	11,500	9,947	1,553	8,000	6,774	1,226
Mileage and training	13,000	11,124	1,876	10,000	10,887	(887)
Capital improvement	0	0	0	57,650	57,649	1
Other	14,062	16,963	(2,901)	12,621	15,490	(2,869)
Total Disbursements	324,806	315,832	8,974	343,619	338,489	5,130
RECEIPTS OVER (UNDER) DISBURSEMENTS	11,437	62,858	51,421	(17,411)	23,927	41,338
CASH, JANUARY 1	69,638	69,638	0	45,711	45,711	0
CASH, DECEMBER 31	81,075	132,496	51,421	28,300	69,638	41,338

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MERCER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Law Enforcement Sales Tax Fund and the Sheriff's Revolving Fund for the year ended December 31, 2004.

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2003
Domestic Violence Fund	2004 and 2003
Prosecuting Attorney Delinquent Tax Fund	2003
Prosecuting Attorney Bad Check Fund	2004 and 2003
Sheriff's Special Fund	2003
FEMA Fund	2004
Division II Interest Fund	2004 and 2003

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 2004, did not include the Law Enforcement Sales Tax Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and Health Center Board's deposits at December 31, 2004 and 2003, were entirely covered by federal depository insurance or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances for the county existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Property Taxes

Through December 31, 2004, Mercer County collected \$38,308 in excess property taxes. Section 67.505, RSMo 2000, requires the county to reduce property taxes for a percentage of sales taxes collected. Mercer County voters enacted a half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

Supplementary Schedule

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2004	2003
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-3165W ERS045-4165 ERS045-5165	\$ 12,869	11,150
U.S. DEPARTMENT OF JUSTICE				
	Passed through:			
	State Department of Public Safety			
16.554	National Criminal History Improvement Program	2000-RH-CX-K024	0	5,019
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,972	657
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-065 (16)	0	1,265
		BRO-065 (20)	274	0
		BRO-065 (21)	0	1,322
		BRO-065 (22)	27,421	266,761
		BRO-065 (23)	141,237	18,329
		BRO-065 (24)	13,734	11,433
		BRO-065 (25)	2,629	0
	Program Total		<u>185,295</u>	<u>299,110</u>
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	2,454	2,777
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	822	1,540

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2004	2003
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Preventior and Surveillance of Blood Lead Levels in Childre	ERS146-3165T	0	1,700
93.268	Immunization Grants	N/A	11,551	8,912
	Program Total	PGA064-3165A	659	850
			12,210	9,762
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	DH030280001 DH040022020	7,413	6,691
93.575	Child Care and Development Block Gran	PGA067-3165C PGA067-4165C	720	1,115
93.994	Maternal and Child Health Services Block Grant to the States	N/A	0	88
	Program Total	ERS146-3165M ERS146-4165M	10,526	10,221
			10,526	10,309
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.004	State Domestic Preparedness Equipment Support Program	2004-GE-T4-0049	9,810	0
97.036	Public Assistance Grants**	1412-DR-MO	26,940	88,767
97.051	State and Local All Hazards Emergency Operations Planning**	EMK-2003-GR-2540	2,700	3,300
	Total Expenditures of Federal Award:	\$	273,731	441,897

* These expenditures include awards made under CFDA 97.06'

** These expenditures include awards made under CFDA 83.54'

*** The CFDA number for this program changed to CFDA 83.56'

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

MERCER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Mercer County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services during the year ended December 31, 2003. Amounts for the Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2004 and 2003.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Mercer County, Missouri

Compliance

We have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2004 and 2003. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Mercer County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2004 and 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-2.

Internal Control Over Compliance

The management of Mercer County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 04-2, to be a material weakness.

This report is intended for the information and use of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 14, 2005 (fieldwork completion date)

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2004 AND 2003

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes x no
- Reportable condition identified that is not considered to be a material weakness? x yes none reported

Noncompliance material to the financial statements noted? x yes no

Federal Awards

Internal control over major program:

- Material weakness identified? x yes no
- Reportable condition identified that is not considered to be a material weakness? yes x none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

04-1.

County Financial Records and Procedures

The accounting records prepared by the County Clerk and County Treasurer for the years ended December 31, 2004, and 2003 did not reconcile. The County Commission also approved expenditures in excess of budgeted amounts for various funds.

A. The County Clerk and County Treasurer do not reconcile their accounting records on a monthly basis. As a result, both officials' records were inaccurate at times and varied from actual receipts, disbursements, and cash balances per audit. Adjustments have been made to the audited financial statements to correct these errors. During our review of the County Treasurer's and County Clerk's records, the following concerns were noted:

- Some receipt and disbursement totals on the County Treasurer's semi-annual settlement did not agree to his manual fund ledgers. The County Treasurer indicated the manual fund ledger had been changed to correct errors found after the semi-annual settlement was prepared. However, he did not prepare an amended settlement to accurately report the amounts on the manual fund ledgers.
- The fund a receipt should be posted to is noted on the receipt slip issued by the County Treasurer, but in some instances both the County Clerk and County Treasurer posted the receipt to a fund other than the one indicated.
- The County Clerk does not ensure actual receipt and disbursement amounts reported on the budget agree to her financial records. An adjustment was made to the actual disbursements for the General Revenue Fund in 2004 to correct for an error, but the financial records maintained by the County Clerk to support the budget numbers were not corrected. In addition, the county budgets contained numerous misclassifications, such as intergovernmental revenues classified as other revenues.

Had the County Clerk and County Treasurer made attempts to reconcile their records, the error noted above could have been detected and corrected in a timely manner.

Section 51.150.1, RSMo, requires the County Clerk to keep regular accounts with the County Treasurer. To provide the type of check-and-balance system required by state law, to ensure errors and omissions are detected on a timely basis, and to provide accurate financial reporting, the County Clerk and the County Treasurer should regularly reconcile their accounting records. Section 50.540, RSMo, requires all revenues to be by source and all expenditures to be by character, object, function, or activity.

- B. The County Commission approved expenditures in excess of budgeted amounts for several funds for the years ended December 31, 2004 and 2003. According to the County Commission, quarterly budget to actual reports are provided to them. However, it appears the County Commission does not adequately monitor budget to actual amounts, which allowed some funds to overspend their budgets.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo.1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND:

- A. The County Clerk and County Treasurer periodically reconcile their accounting records and all reconciling items are documented and fully investigated.
- B. The County Commission refrain from incurring expenditures in excess of budgeted amounts and establish procedures to monitor budget to actual amounts for all funds.

AUDITEE'S RESPONSE

- A. *The County Clerk and County Treasurer agree and have already begun reconciling their records.*
- B. *The County Commission is now receiving monthly budget to actual reports and have begun monitoring them more closely.*

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-065(16), BRO-065(20), BRO-065(21), BRO-065(22), BRO-065(23), BRO-065(24), and BRO-065(25)
Award Years:	2004 and 2003
Questioned Costs:	\$0

The county and Health Center do not adequately track or report federal assistance on the SEFA. Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials.

The county's 2004 and 2003 SEFA expenditures for their major program, Highway Planning and Construction (CFDA 20.205), were overstated by approximately \$4,980 and \$26,300, respectively. Five other non-major program expenditures, totaling approximately \$24,500, were not reported on the county's 2004 and 2003 SEFA. The information provided by the Health Center did not include vaccines distributed by the state Department of Health and Senior Services. The SEFA schedules prepared by the County Clerk had total expenditures understated by \$32,980 in 2004 and overstated by \$5,299 in 2003. In addition, the SEFA did not include the required pass-through entities' identifying numbers or contract numbers.

Without an accurate and complete SEFA, federal financial activity can not be properly audited and reported in accordance with federal audit requirements.

A similar condition was noted in the two prior reports. Although the County Commission and County Clerk indicated they would implement these recommendations, the county has not improved these controls and procedures.

WE AGAIN RECOMMEND the County Commission and the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We will continue to attempt to prepare an accurate and complete SEFA. We will make every attempt to ensure the 2005 SEFA is correct.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MERCER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mercer County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2002.

02-1. Excess Property Tax

The county did not sufficiently reduce its property tax revenues by 50 percent of the sales tax revenues. The county's net excess property tax revenues collected as of December 31, 2002, were \$57,316.

Recommendation:

The County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Status:

Partially implemented. Through December 31, 2004, the county has reduced the net excess property tax collections by over \$18,000, but the net excess property tax revenues are still \$38,308. See Management Advisory Report (MAR) finding number 4.

02-2. Purchasing Procedures

Bids were not always solicited or bid documentation retained for purchases.

Recommendation:

The County Commission solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If circumstances are deemed to warrant a purchase without bids, such circumstances should be fully documented and noted in the County Commission minutes.

Status:

Not implemented. See MAR finding number 1.

02-3. Computer System Controls

- A. The Treasurer/Ex Officio County Collector and the County Clerk had access and update capabilities, which were not necessary for the performance of their duties.
- B. Passwords used by the Assessor's office, the County Clerk's office and the Treasurer/Ex Officio County Collector's office had not been changed since the original computer system was installed in 1990. In addition, passwords had not been kept confidential.
- C. The county did not have a formal contingency plan for the computer system in case of emergency. As a result, the county had not formally negotiated arrangements for backup facilities in the event of a disaster.

Recommendation:

The County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.
- B. Ensure employees' passwords are periodically changed and kept confidential.
- C. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.

Status:

A, B

&C. Not implemented. See MAR finding number 8.

02-4. General Fixed Assets Records and Procedures

The general fixed assets listing had not been updated since 1995. As a result, the listing was inaccurate and not useful in providing an internal control over assets.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed asset purchases and

dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipt.

Status:

Not implemented. See MAR finding number 5.

02-5. Budgetary Practices

Actual disbursements exceeded budgeted amounts for several funds. The county also did not adopt budgets for several funds. In addition, a deficit balance was budgeted for two funds.

Recommendation:

The County Commission not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.

Status:

Partially implemented. A deficit balance was not budgeted for any of the county funds and all funds not previously budgeted were budgeted in 2004 and 2003. However, the county did not budget the Law Enforcement Sales Tax Fund and the Sheriff's Revolving Fund, which were established in 2004. In addition, actual disbursements exceeded budgeted amounts for several funds. See finding number 04-1.

02-6. Published Financial Statements

The county's published financial statements did not show receipts and disbursements for all county funds.

Recommendation:

The county include all county funds in the published annual financial statements.

Status:

Partially implemented. All funds not previously published were included in the published financial statements in 2004 and 2003. However, the county's published financial statements did not include the Law Enforcement Sales Tax Fund which was established in 2004. Although not repeated in the current Schedule of Findings and Questioned Costs, the recommendation remains as stated above.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MERCER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

02-07. Schedule of Expenditures of Federal Awards and Engineering Costs

Part A and B

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-065 (20), BRO-065 (21), BRO-065-(22), and BRO-065 (23)
Award Years:	2002 and 2001
Questioned Costs:	\$58,471

Part A

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.534
Program Title:	Emergency Management – State and Local Assistance
Pass-Through Entity	
Identifying Number:	1412-DR-MO
Award Years:	2002
Questioned Costs:	None

- A. The county did not have adequate procedures in place to track federal awards for preparation of the schedule of expenditures of federal awards.

- B. The county contracted with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects were 80 percent federally funded. The county incurred \$58,471 of engineering costs during 2002 and 2001. There was no documentation that the County Commission considered other engineering firms when procuring these services.

Recommendation:

The County Commission:

- A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the schedule of expenditures of federal awards.
- B. Resolve the questioned costs with the grantor agency. In addition, for future projects the County Commission should obtain information as required by law when contracting for professional services.

Status:

- A. Not implemented. See finding number 04-2.
- B. Partially implemented. Documentation was available to indicate the County Commission considered other engineering firms, but no documentation was provided to show how the questioned costs were resolved. Although not reported in the current schedule of findings and questioned costs, the recommendation remains as stated above.

02-8. Emergency Management Grant

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.534
Program Title:	Emergency Management – State and Local Assistance
Pass-Through Entity	
Identifying Number:	1412-DR-MO
Award Years:	2002
Questioned Costs:	\$167,649

Amounts paid for the 53 small projects were based on estimates prepared on-site by a FEMA representative. The county received \$167,649 during 2002 for the small projects. Documentation to support actual expenditures for the various projects was not maintained by the county. According to the County Clerk and Road and Bridge supervisor, the on-site FEMA representative indicated that no further documentation would be required.

Recommendation:

The County Commission adopt procedures in which federal awards may be correctly identified and resolve the questioned costs with the grantor agency and for future projects, document actual expenditures incurred on all FEMA projects.

Status:

Implemented. The grantor determined that all small projects were completed and the disaster funds paid for those projects should not be recouped.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MERCER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 14, 2005. We also have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 14, 2005.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo 2000, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Mercer County or of its compliance with the types of compliance requirements applicable to its major federal program

but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Expenditure and Transfer Controls and Procedures
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Several weaknesses were noted with the county's expenditure practices. Bids were not always solicited, some invoices were not marked paid resulting in some duplicate payments, and credit card charges were not always supported by actual itemized charge receipts. Several payments to elected officials or members of their family appear to be conflicts of interest and administration transfers were calculated incorrectly, resulting in the General Fund owing the Special Road and Bridge Fund \$17,000.

- A. The county does not have adequate bidding procedures. As a result, there were several instances where bids were not solicited by the county. Examples of the items purchased without documentation of bids or advertisement included rock hauling for approximately \$4,600 and computers for approximately \$5,000.

Section 50.660, RSMo, requires the advertisement for bids for purchases of \$4,500 or more, from any one person, firm, or corporation during a ninety day period. Bidding helps to assure the county contracts with the lowest and best bidder. Competitive bidding also ensures all interested parties are given an equal opportunity for the county's business. To show compliance, documentation of bids should include a vendor listing and request for proposal when bids are requested, a newspaper publication notice when applicable, the bids received, the basis and justification for awarding the bid, documentation of discussions with vendors, and bid specifications. If bids cannot be obtained and sole source procurement is necessary, the minutes should reflect the necessitating circumstances.

- B. Invoices are not marked as paid or otherwise canceled upon payment and occasionally bills are paid based on a statement, rather than an original invoice. This practice increases the possibility of duplicate payments. In addition, the County Clerk's office did not always review the expenditure system to ensure payment had not already been made. As a result of these weaknesses, duplicate payments were made on several invoices. While vendors refunded or issued credits for the overpayments noted, there is no assurance that all duplicate payments have been identified. To ensure against duplicate payment of bills, payments should be based on original invoices which are marked paid when a check has been issued by the county.
- C. The actual itemized charge receipt is usually not submitted for credit card charges. Generally, only the credit card statement and the signed charge slip is submitted to support the credit card charge. During 2004 and 2003, the county spent approximately \$40,000 on charge cards, and several purchases included sales tax.

Adequate supporting documentation should be obtained and retained for all credit card purchases and reconciled to credit card statements to ensure the propriety of the charges. In addition, the county is also exempt from paying sales tax for appropriate county expenditures.

D. Several payments from county funds appear to be conflicts of interest.

- A former Associate Commissioner received royalties from a local rock quarry with which the county does business. In our prior report, this commissioner indicated the townships determine from which quarry to purchase the rock, however, during our audit period it was actually the County Commission that had a written agreement with the local rock quarry. Payments totaling approximately \$256,000 were made during 2004 and 2003 to this quarry. The former Associate Commissioner indicated that he abstained from voting on decisions to purchase gravel from the quarry; however, the abstentions were not documented in the minutes. This situation constitutes a potential conflict of interest and may be in violation of state law.

Section 49.140, RSMo, provides that, "no County Commissioner shall, directly or indirectly, become a party to any contract to which the county is a party...".

- The Assessor's husband was paid approximately \$228 for a mapping table for the Assessor's office. The Assessor indicated the selection of her husband was approved by the County Commission. However, this was not documented in the County Commission minutes.
- The Presiding Commissioner's son was paid \$1,800 in 2002 for a new concrete driveway at the courthouse. These services were not bid. The minutes do not indicate the Presiding Commissioner abstained from selecting his son.
- A former Associate Commissioner's daughter was paid approximately \$201 and \$281 for custodial services in 2004 and 2003, respectively. The minutes do not indicate the Associate Commissioner abstained from selecting his daughter.

Transactions between the county and parties related to county officials represent potential conflicts of interest. Discussions and decisions concerning situations where potential conflicts of interest exist should be completely documented so that the public has assurance that no official has benefited improperly. In addition, the county should consider establishing a policy which addresses these types of situations.

E. The salary of a deputy county clerk was not taken into consideration when calculating the administrative transfers from the Special Road and Bridge Fund to the General

Revenue Fund. The county paid approximately \$17,000 during 2004 and 2003 for the deputy county clerk's salary and related fringe benefits from the Special Road and Bridge Fund, as well as taking the maximum administrative service fee allowed by law. As a result, the General Revenue Fund owes the Special Road and Bridge Fund \$17,000.

Section 50.515, RSMo, authorizes the County Commission to impose an administrative service fee on the Special Road and Bridge Fund. The purpose of this fee is to recoup actual expenditures made from the General Revenue Fund for road and bridge related administrative expenses. The fee is limited to a maximum of three percent of the budget of the Special Road and Bridge Fund. If the county elects to pay the salary of the deputy county clerk from the Special Road and Bridge Fund, the amount of the salary and fringe benefits should be deducted from the allowable transfer. Effective August 28, 2004, Section 50.515, RSMo, increased the fee to five percent of the budget of the Special Road and Bridge Fund.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official County Commission minutes should reflect the necessitating circumstances.
- B. Ensure all payments are made based on original invoices, which are properly canceled upon payment. In addition, the County Clerk should check the expenditure system to ensure payment had not already been made.
- C. Require adequate supporting documentation prior to approving expenditures for payment. The County Commission should also discontinue paying sales tax on items purchased for the county.
- D. Review the related party transactions for propriety, and in the future, avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. In addition, the County Commission should consider adopting a policy for officials to address these types of situations.
- E. Base administrative transfers on actual or reasonable budgeted expenditures excluding the administrative transfer amounts. In addition, a transfer of approximately \$17,000 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

- A. *We agree and will ensure bids are taken for all purchases in the future.*

- B. *This has been implemented.*
- C. *We agree. We are now requiring supporting documentation for credit card charges. We also have reduced the number of available credit cards.*
- D. *We agree. We will develop a policy by the end of 2005.*
- E. *We will calculate administrative transfers correctly in the future. We will resolve the \$17,000 due from General Revenue by January, 2007.*

2.	County Commission Minutes
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The County Commission minutes are not adequately detailed or approved, the tentative agenda or the documentation of the required notice being given for County Commission meetings is not maintained, and closed meeting procedures are not adequate.

- A. The daily business of the County Commission is not adequately documented in the County Commission minutes. For example, some meeting dates indicated only that no minutes were taken. The County Clerk indicated no minutes were taken because no decisions were made in these meetings. In addition, the minutes are not typed and added to the official minutes book in a timely manner. As of April 2005, the last entry in the minutes was for the December 2004 meeting. Although the minutes are being approved by the Presiding Commissioner or an Associate Commissioner in his absence, the minutes are not signed until they are typed in the minutes.

Section 51.120, RSMo, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure that the minutes include all important information regarding the meetings held.

- B. The county did not retain the tentative agenda or maintain documentation of the required notice being given for the County Commission meetings. Section 610.020, RSMo, requires all public governmental bodies to give notice of the time, date, and place of each meeting, and its tentative agenda in a reasonable manner to advise the public. To document compliance, the County Commission should document the date, time, and location the notice was posted and retain this information with the minutes.
- C. Minutes were not always prepared to document the matters discussed in closed meetings. In addition, open meeting minutes did not always document the related vote to close the meeting, reasons for closing the meeting, or the final disposition of matters discussed in closed meetings.

The provisions of the Sunshine Law, Chapter 610, RSMo, include several different statutes that relate to closed meetings. The County Commission is only allowed to close meetings to the extent they relate to certain specified subjects. Before any meeting may be closed, the reason for the closed meeting shall be voted on at an open session. Effective August 28, 2004, Section 610.020, RSMo, provides that minutes of these closed meetings should be prepared and retained. Certain matters discussed in closed meetings are to be made public upon final disposition.

Although similar conditions were noted in our prior report, the County Commission has not improved these controls and procedures.

WE AGAIN RECOMMEND the County Commission:

- A. Ensure a complete record of the meetings is prepared and approved on a timely basis.
- B. Ensure notices of meetings, including a tentative agenda, are posted and retained.
- C. Ensure minutes are prepared, approved, and retained for all closed meetings, reasons for closing a meeting are documented, and the final disposition of matters discussed in closed meetings is made public as required by state law.

AUDITEE'S RESPONSE

A, B

&C. We agree and have implemented these recommendations.

3. Salaries and Personnel Procedures

The county has not maintained documentation to support how the Public Administrator's salary was determined, adopted an official personnel manual, or ensured time sheets have been signed by both the employee and the employee's supervisor.

- A. The county could provide no documentation showing how the Public Administrator's salary was determined. The Public Administrator did not elect to be paid a salary instead of receiving fees when she took office in January 2001. However, the county paid her the salary amount approved by the Salary Commission, and in August 2001, increased her salary when she formally elected to be paid a salary rather than fees. The county had no documentation or support for any of the actions taken regarding the Public Administrator's salary and a written opinion as to the legality of the actions taken was not obtained from the county Prosecuting Attorney.
- B. The county has not adopted an official personnel manual which details policies and procedures for county employees. Instead, the county policies are several court orders which are filed together when they are approved. According to the County

Commission, copies of the court orders containing these policies are given to all county employees. Failure to adopt an official personnel manual increases the likelihood of misunderstandings or unequal treatment of employees.

- C. The County Clerk's office prepares Road and Bridge employees' time sheets using the Road and Bridge supervisor's calendar. The County Clerk's office assumes these employees have worked unless the Road and Bridge supervisor's calendar indicates leave was taken, but the time sheets are not signed by the employee or the employee's supervisor. Time sheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month.

WE RECOMMEND the County Commission:

- A. Consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.
- B. Adopt an official personnel manual and require employees to read the manual as a condition of their employment.
- C. Ensure all time sheets have been signed by both the employee and the employee's supervisor.

AUDITEE'S RESPONSE

- A. *We have requested an opinion from our Prosecuting Attorney.*
- B. *We have now approved an official personnel manual.*
- C. *This has now been implemented.*

4. Property Tax Reduction Due to Sales Tax

The county has collected excess General Revenue property taxes as of December 31, 2004. Although the excess property taxes have been reduced from \$57,316 at December 31, 2002, the excess is still \$38,308 at December 31, 2004. The County Clerk computes the sales tax amount used for this calculation by taking the actual collections for the first six months of the year times two. She does not recalculate the required rollback using actual sales tax collections to determine if an adjustment is necessary in the following years calculation. The county still has not sufficiently reduced its general revenue property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by Mercer County voters under the provisions of Section 67.505, RSMo. The County Clerk should ensure the actual excess property tax collections are calculated correctly.

WE RECOMMEND the County Commission reduce the General Revenue Fund property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years. In addition, the County Clerk should use actual sales tax collection when calculating the previous years' excess property tax collections.

AUDITEE'S RESPONSE

We agree and will continue to reduce the excess. We will continue to use the actual tax collections when calculating the excess.

5. General Capital Assets

Capital asset records and procedures need improvement and vehicle and fuel usage logs were not maintained.

- A. Capital asset records and procedures need improvement. Per Section 49.091, RSMo, the County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, Section 49.093, RSMo, provides that the officer or their designee is responsible for performing periodic inventories or inspections.

Currently, the County Clerk maintains an inventory listing of capital assets held by county officials and indicated she requested each county official prepare an inventory listing in 2003 so her office could compare the listing to their records. However, there is no evidence that the listings from the county officials were compared to the County Clerk's inventory listing. The following problems regarding various capital asset records were noted:

- Records are not maintained in a manner that reconciliations could be performed from period to period (beginning balance plus additions less dispositions equals the ending balance).
- Additions to the inventory listing are not always reconciled to equipment expenditures. As a result, various items were not recorded on the county's general capital asset listing such as a tractor and mower (\$52,000) and a dump truck (\$25,500). In addition, property tags are not affixed to newly purchased assets immediately upon receipt.
- The property tag number, acquisition/disposition dates, purchase value, acquisition fund, and serial numbers are not recorded in the general capital asset records.
- Documentation of annual physical inventories is not maintained.

- Written authorization is not obtained from the County Commission for the disposition of capital assets.

Adequate general capital asset records are necessary to meet statutory requirements, secure better internal control over county property, and provide a basis for determining proper insurance coverage. Physical inventories of county property are necessary to ensure the capital asset records are accurate, identify all unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Property control tags should be affixed to all capital assets to help improve accountability and ensure assets are properly identified as belonging to the county. Further, the county needs to establish formal procedures to ensure the disposition of assets is properly handled, approved, and recorded in the fixed asset records.

Although a similar condition was noted in our two prior reports, the County Commission has not improved these controls and procedures.

- B. The Road and Bridge Department and county officials do not maintain usage logs to document appropriate use of the vehicles and equipment. In addition, fuel purchases are not tracked for the Road and Bridge Department and county vehicles to support fuel charges. Furthermore, an inventory record is not maintained for bulk fuel used for Road and Bridge equipment. During our fieldwork, the county began to implement this recommendation and determined that a former road and bridge employee was still in possession of a county gasoline card and apparently had been making unauthorized gasoline purchases for his personal vehicle for approximately two years. The Sheriff has investigated the matter and charges have been filed by the Prosecuting Attorney. MAR finding 1C discusses weaknesses over credit card charges, some of which were gasoline cards.

Without adequate vehicle logs, where fuel purchases and maintenance are recorded, the county cannot effectively monitor that vehicles are used for official business only and that fuel usage is reasonable. Vehicle logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for county business and to help identify vehicles and equipment which should be replaced. Failure to inventory and reconcile fuel usage to fuel purchases increases the risk that theft or misuse of fuel could occur and not be detected. Periodic physical inventories of the bulk fuel tanks are necessary to ensure the records are accurate, identify any unrecorded additions and deletions, and detect possible loss or theft. Information on the fuel usage logs should be reconciled to fuel purchases on a periodic basis.

WE RECOMMEND the County Commission:

- A. Establish a written policy related to handling and accounting for general capital assets. In addition to providing guidance on accounting and record keeping, the

policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with county property.

- B. Ensure the Road and Bridge Department and county officials maintain usage logs for vehicles and equipment which include operation and maintenance costs, including fuel purchases. In addition, these logs should be reviewed by a supervisor to help identify vehicles and equipment which should be replaced, and to ensure fuel usage is reasonable. Furthermore, an inventory record should be maintained for fuel stored in bulk tanks, a physical inventory of the fuel should be performed, and the equipment fuel usage logs should be reconciled to fuel used on the bulk fuel inventory records and reviewed for reasonableness.

AUDITEE'S RESPONSE

- A. *We agree and will establish a policy for capital assets by January 2006.*
- B. *We agree and are now doing this.*

6. Townships Controls and Procedures

The County Clerk does not ensure the township boards' financial statements are prepared and published. Only two of nine townships prepared a 2003 financial statement and filed it with the county and none of the townships provided proof of publication of their 2003 financial statement to the County Clerk. Some improvement was noted for 2004, when all nine townships filed a financial statement and three townships provided proof of publication to the County Clerk.

Section 231.290, RSMo, requires the County Clerk to prepare a form to be utilized by the townships to provide a detailed account of their financial activity, along with an inventory of the townships property. Section 231.280, RSMo, requires each township to annually publish certain financial information and submit a copy of the published financial report to the County Clerk.

WE RECOMMEND the County Commission and the County Clerk work to ensure all townships file their detailed financial statements with the county and publish in a local newspaper in accordance with state law.

AUDITEE'S RESPONSE

We agree and will ensure these are received.

Several weaknesses were noted with Health Center expenditures including failing to enter into formal written agreements, timeliness of payments, and paying sales tax. Weaknesses were also noted with payroll, computer procedures, minutes, and general capital assets.

- A. Credit card bills are not being paid in a timely manner as they are held and paid after Health Center board meetings. As a result, the Health Center has incurred approximately \$112 in late fees and finance charges on these expenditures during the two years ended December 31, 2004. In addition, sales tax was paid on several items.

Failure to pay bills promptly exposes the Health Center to unnecessary costs and Health Center expenditures are exempt from sales tax.

- B. Although the Health Center periodically prepares backup disks of all financial information, the backup disks are not stored at an off-site location. The Health Center also does not have a formal emergency contingency plan for the computer system. As a result, the Health Center has not formally negotiated arrangements for backup facilities in the event of a disaster.

Because the computer backup disks are not stored off-site, backups are susceptible to the same damage as the original data on the computer. Backup disks should be stored off-site to provide increased assurance that Health Center data can be recreated.

The major benefit of a thorough disaster recovery plan is the ability of the Health Center to recover rapidly from a disaster or extraordinary situation that might cause considerable loss or disruption to the Health Center. Because of the Health Center's degree of reliance on the data processing, the need for contingency planning is evident.

- C. The Health Center's minutes and procedures need improvement. The following problems regarding the Health Center's minutes were noted:
1. The Health Center did not retain the tentative agenda or maintain documentation of the required notice being given for the Health Center meetings. Section 610.020, RSMo, requires all public governmental bodies to give notice of the time, date, and place of each meeting, and its tentative agenda in a reasonable manner to advise the public. To document compliance, the Health Center Board should document the date, time, and location the notice was posted and retain this information with the minutes.

2. Minutes were not prepared to document the matters discussed in closed meetings. In addition, open meeting minutes did not always document the related vote to close the meeting, reasons for closing the meeting, or the final disposition of matters discussed in closed meetings.

The provisions of the Sunshine Law, Chapter 610, RSMo, include several different statutes that relate to closed meetings. The Health Center is only allowed to close meetings to the extent they related to certain specified subjects. Effective August 28, 2004, Section 610.020, RSMo, provides that minutes of closed meetings should be prepared and retained. Before any meeting may be closed, the reason for the closed meeting shall be voted on at an open session. Certain matters discussed in closed meetings are to be made public upon final disposition.

D. Capital asset records and procedures need improvement. The following problems regarding various capital asset records were noted:

- Records are not maintained in a manner that reconciliations could be performed from period to period (beginning balance plus additions less dispositions equals the ending balance).
- Additions to the inventory listing are not always reconciled to equipment expenditures. As a result, various items were not recorded on the Health Center's general capital asset listing, such as a computer (\$1,163).
- The property tag number, acquisition/disposition dates, purchase value, and serial numbers are not recorded in the general capital asset records.
- Documentation of annual physical inventories is not maintained.
- Written authorization is not obtained from the Health Center Board for the disposition of capital assets.

Adequate general capital asset records are necessary to meet statutory requirements, secure better internal control over Health Center property, and provide a basis for determining proper insurance coverage. Physical inventories of Health Center property are necessary to ensure the capital asset records are accurate, identify all unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Property control tags should be affixed to all capital assets to help improve accountability and ensure assets are properly identified as belonging to the Health Center. Further, the Health Center needs to establish formal procedures to ensure the disposition of assets is properly handled, approved, and recorded in the fixed asset records.

WE RECOMMEND the Health Center Board:

- A. Ensure all billings are submitted and paid in a timely manner to avoid late fees and finance charges. The Health Center Board should also discontinue paying sales tax on items purchased for the Health Center.
- B. Ensure backup disks are prepared and stored in a secure, off-site location. The Health Center Board should also develop a formal contingency plan for the Health Center's computer system.
- C.1. Ensure notices of the board meetings, including a tentative agenda, are posted and retained.
- 2. Ensure minutes are prepared, approved, and retained for all closed meetings, reasons for closing a meeting are documented, and the final disposition of matters discussed in closed meetings is made public as required by state law.
- D. Establish a written policy related to handling and accounting for general capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with Health Center property.

AUDITEE'S RESPONSE

- A. *There is a policy in our by-laws for approval of the expenses by the Administrator for timely payment with final approval by the Board of Trustees. As of July 28, 2005, we will follow this policy.*
- B. *The Health Center will develop by December 31, 2005, a disaster recovery plan for the computer systems and backup facilities in case of emergency need.*
- C.1. *Effective July 28, 2005, notice of board meetings, with a tentative agenda, will be posted and retained in a file in the clerk's office, with the date and time of posting documented.*
- 2. *Effective July 31, 2005, minutes for open and closed meetings will be documented according to the provisions of the Sunshine Law, Chap. 610, RSMo, and 610.020, RSMo.*
- D. *The Health Center will establish a policy for the appropriate handling and accounting of general capital assets to meet statutory requirements, provide internal control of property, and provide a basis for the proper insurance coverage, by December 31, 2005.*

8.**Computer System Controls and Procedures**

The county has not restricted access and update capabilities for the financial and property tax system to those individuals needing access for the performance of their duties, ensured passwords are periodically changed and kept confidential, established a security system to stop, or developed a formal emergency contingency plan for the computer system.

- A. The Treasurer/Ex Officio County Collector and the County Clerk have access and update capabilities which are not necessary for the performance of their duties. The County Treasurer has the capability to access, update, and edit the County Clerk's records on the financial system. The Ex Officio County Collector has the capability to add new accounts and change existing accounts on the property tax system. The County Clerk's office has access and update capabilities in the property tax system and County Treasurer's records on the financial system. Any employee with knowledge of the correct password can access unauthorized areas of the system. The capability weakens internal controls over property tax collections and financial records. Changes to the various records should be limited to those individuals who need such access for the performance of their duties.
- B. Passwords used by the County Clerk's office and the Treasurer/Ex Officio County Collector's office have not been changed since the original computer system was installed in 1990. Passwords used by the Assessor's office have only been changed for a new official and employees. In addition, passwords have not been kept confidential. Passwords should be changed periodically and kept confidential to reduce the possibility of unauthorized use.
- C. The county does not have a formal emergency contingency plan for the computer system. As a result, the county has not formally negotiated arrangements for backup facilities in the event of a disaster.

The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the county's degree of reliance on the data processing, the need for contingency planning is evident.

Although similar conditions were noted in our prior report, the County Commission has taken no action to improve these controls and procedures.

WE AGAIN RECOMMEND the County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.

- B. Ensure employees passwords are periodically changed and kept confidential.
- C. Develop a formal contingency plan for the county's computer systems.

AUDITEE'S RESPONSE

- A&B. We will contact our computer programmer to determine what changes can be made.*
- C. We will work to develop this plan by July 2006.*

9.	Property Tax Controls and Procedures
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The Ex Officio Collector's cash handling and receipt procedures are not adequate. The County Clerk and the County Commission also do not adequately review the property taxes charged to the Ex Officio County Collector. In addition, the Ex Officio County Collector did not periodically solicit proposals for banking services to ensure service charges and interest earnings are competitive.

- A. The Ex Officio County Collector does not issue receipt slips for current tax payments which are usually paid to the township collectors, or for partial payments on delinquent taxes. The Ex Officio County Collector indicated receipts slips are issued only upon request. Current tax payments received are transmitted to the township collectors without obtaining documentation from the township collectors to prove receipt of the monies. While receipt slips are not issued for partial payments, they are deposited and tracked in a ledger. However, due to the lack of receipt slips, receipts cannot be reconciled to deposits.

Prenumbered receipt slips should be issued for all receipts not supported by a paid tax receipt to adequately account for receipts. To properly ensure all monies are being deposited intact, a daily abstract should be generated and reconciled to deposits.

- B. The County Clerk does not maintain an account book with the Ex Officio County Collector. This account book could be used by the County Commission to verify the Ex Officio County Collector's annual settlements. Currently, the annual settlements are not reviewed or approved by the County Commission.

An account book would summarize all taxes charged to the Ex Officio County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. An account book would enable the County Clerk to ensure the amount of taxes charged and credited to the Ex Officio County Collector each year is complete and accurate. A review of the annual settlements should also be completed in order to detect errors and omissions in the settlements.

- C. The Ex Officio County Collector's bond for the term of April 2001 through March 2005 was less than the amount required by state law. The County Clerk indicated the bond amount is not calculated. As a result, the same bond amount has been used for at least twenty years. The Ex Officio County Collector is bonded monthly for \$150,000. Per Section 52.020.1, RSMo, the county collector's bond for any one month should be for an amount equal to the average total monthly collection for the same month during the preceding four years (but not to exceed the largest total collections made during any one month of the year preceding his election), plus ten percent of the amount. The calculated minimum bond required would be approximately \$178,760. The County Commission and the Ex Officio County Collector should review the bond coverage annually to ensure that sufficient bond coverage is obtained.
- D. The Ex Officio County Collector received approximately a .15 percent interest rate on funds held in a county non-depository bank, while approximately 2.5 percent was earned on monies held in the county's depository bank. The Ex Officio County Collector had no documentation that he formally solicited proposals for his banking services in recent years. During December 2004 and January 2005, the Ex Officio County Collector had in excess of \$500,000 in his bank account. To ensure he is receiving competitive rates for interest earnings, the Ex Officio County Collector should solicit bids for banking services periodically.

WE RECOMMEND:

- A. The Ex Officio County Collector issue prenumbered receipt slips for all monies received which are not supported by a paid tax receipt. Furthermore, a daily abstract should be prepared and reconciled to bank deposits and paid tax receipts.
- B. The County Commission require the County Clerk to establish and maintain an account book with the Ex Officio County Collector. The County Commission should consider using the account book to verify the Ex Officio County Collector's annual settlements by reconciling tax collections and credits to taxes charged on the tax books.
- C. The County Commission and the Ex Officio County Collector ensure the bond coverage is sufficient as required by state law.
- D. The Ex Officio County Collector periodically solicit proposals for banking services to ensure interest earnings are competitive.

AUDITEE'S RESPONSE

The Ex Officio County Collector responded:

- A. *I agree and am now doing this.*

D. *As I am new to this office I will review our current situation and make changes as necessary.*

The County Commission responded:

B. *We agree and will require an account book be maintained. We will use the account book to help review the annual settlement before approving it.*

C. *We have now increased the Ex Officio County Collector's bond amount.*

10. Sheriff

The Sheriff needs to properly segregate the duties of his office, provide more accountability over the proceeds from soda sales, and improve controls over seized property.

A. The duties of cash custody and record-keeping have not been adequately segregated in the Sheriff's department. One clerk collects monies, records transactions, prepares transmittals or deposits, and prepares bank reconciliations. There are no documented reviews of the accounting records performed by the Sheriff.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. The Sheriff believes the proceeds from soda sales in the courthouse are personal funds. While the Sheriff previously had a bank account for these monies, the account was closed and the sheriff indicated he maintained no current record of financial activity, but that the monies were used to purchase water cooler supplies for his department. Since these sales are handled by county employees on county property, records should be maintained to ensure some accountability over these monies. The County Commission should follow up on this situation and assume responsibility for or require an accounting of these funds.

C. Seized property records and procedures need improvement. The following problems regarding seized property were noted:

1. Adequate controls over seized property have not been established. A log of seized property is not maintained for property which is not kept at the Sheriff's office. In addition, periodic inventories of the property on hand are not conducted.

Adequate internal controls would significantly reduce the risk of theft or misuse of seized property. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

2. Procedures have not been implemented to periodically review cases and dispose of related seized property items. As a result, numerous items for which the related cases have been disposed in court are being stored. Property is on hand dating back to the mid 1980s and mid 1990s.

Section 542.301, RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Sheriff should ensure documented supervisory reviews of the accounting records are performed.
- B. And County Commission discuss the appropriate handling and accountability of soda monies.
- C.1. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.
2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

AUDITEE'S RESPONSE

The Sheriff Responded:

- A. *I am now documenting my reviews.*
- B. *The County Commission and I have discussed this and will take this recommendation under advisement.*
- C.1. *I agree and this will be done in the future.*
- C.2. *I will discuss with the Judge and the Prosecuting Attorney regarding the disposition of these items.*

The County Commission responded:

- B. We will discuss this situation with the Prosecuting Attorney and the Sheriff to determine a proper resolution.*

Follow-Up on Prior Audit Findings

MERCER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mercer County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2000. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures

- A. Billing statements were not always reconciled to invoices prior to payment nor did the County Clerk's office check the expenditure system to ensure payment had not already been made.
- B. The county did not always solicit bids or retain bid documentation.
- C. An Associate County Commissioner received royalties from a local rock quarry with which the county did business. The Associate Commissioner indicated that he abstained from voting on decisions to purchase gravel from the quarry; however, the abstentions were not documented in the minutes. This situation constituted a potential conflict of interest and may be in violation of state law.

Recommendation:

The County Commission:

- A. Ensure billing statements are supported by invoices prior to payment.
- B. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- C. Consult legal counsel and determine whether this situation is in violation of state law. At a minimum, the Associate Commissioner should abstain from voting on matters related to the quarry and the circumstances should be clearly documented in the minutes.

Status:

- A, B
&C. Not implemented. See MAR finding number 1.

2. Ex-Officio County Collector's Controls and Procedures

The method of payment received (cash, check, and money order) was not consistently indicated on the paid tax receipts. Additionally, the tax receipts were not reconciled to the composition of bank deposits. The Ex Officio County Collector posted the paid tax bills to the computer at the end of the month and, as a result, did not generate a daily abstract.

Recommendation:

The Ex Officio County Collector record the method of payment on each paid tax statement and reconcile the composition of receipts to the paid tax bills and to bank deposits. Furthermore, a daily abstract should be prepared and reconciled to bank deposits.

Status:

Partially implemented. The method of payment is now indicated on paid tax receipts and tax receipts are reconciled to the composition of bank deposits. However, a daily abstract is still not generated. See MAR finding number 9.

3. Computer System Controls

- A. The Treasurer/Ex Officio County Collector and the County Clerk had access and update capabilities which were not necessary for the performance of their duties.
- B. Passwords used by the Assessor's office, the County Clerk's office and the Treasurer/Ex Officio County Collector's office had not been changed since the original computer system was installed in 1990. In addition, passwords had not been kept confidential.
- C. The county did not have a formal contingency plan for the computer system in case of emergency. As a result, the county had not formally negotiated arrangements for backup facilities in the event of a disaster.

Recommendation:

The County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.
- B. Ensure employees passwords are periodically changed and kept confidential.
- C. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.

Status:

A, B

&C. Not implemented. See MAR finding number 8.

4. Sheriff's Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated. One clerk was primarily responsible for receiving monies, preparing deposits, and maintaining the accounting records; however, all employees in the Sheriff's department could receive monies. There were no documented reviews of the accounting records by the Sheriff.
- B.1. Receipts were not deposited on a timely basis.
 - 2. The composition and amount of recorded receipts was not reconciled to bank deposits.
 - 3. Receipts were not posted to the cash control records on a timely basis.
- C. Bank reconciliations were not prepared for the Sheriff's bank account.
- D. Bond forms were not prenumbered and prenumbered receipt slips were not issued for some bond monies. Some bond monies were transmitted directly to the Mercer County Associate Circuit Court and were not deposited into the Sheriff's bank account. Receipt slips from the court were not retained to document the turnover of these cash bonds.
- E. The Sheriff's department billed other counties for boarding prisoners. The payments for these services were deposited into the Sheriff's bank account and disbursed to the County Treasurer at the end of the month. In addition, reconciliations between billing statements and payments were not performed.
- F. The Sheriff maintained a bank account for soda sales and indicated the proceeds are personal funds. A dispatcher in the Sheriff's department retained proceeds from snack sales. Since these sales were handled by county employees on county property an accounting should be made of the proceeds; however, the Sheriff would not provide any records related to these monies.

Recommendation:

The Sheriff:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

- B.1. Deposit receipts daily or when accumulated receipts exceed \$100.
- 2. Reconcile the composition and amount of recorded receipts to the composition and amount of bank deposits.
- 3. Post all receipts to cash control records on a timely basis.
- C. Prepare monthly bank reconciliations and reconcile the cash balance to open items.
- D. Ensure prenumbered bond forms are used and account for the numerical sequence. In addition, bond monies should be deposited into the Sheriff's bank account, or, if bond monies are transmitted directly to the courts, ensure receipt slips from the courts are retained.
- E. Ensure billings statements stipulate that payments be made directly to the County Treasurer. In addition, reconciliations between billing statements and payments should be performed and follow-up action taken on board bills not received.
- F. And County Commission discuss the appropriate handling and accountability of soda and snack sale monies.

Status:

- A. Partially implemented. The number of employees who can receive monies is now limited to a couple of employees. However, accounting duties have not been segregated or periodic supervisory reviews been performed and documented. See MAR finding number 10.

B, C,
D&E. Implemented.

- F. Partially implemented. The Sheriff's department no longer handles snack sales. The Sheriff still handles soda sales although he has not discussed handling and accountability with the County Commission. See MAR finding number 10.

5. General Fixed Asset Records and Procedures

The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. However, the general fixed asset listing had not been updated nor had a physical inventory been completed since 1995.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could

include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipts.

Status:

Not implemented. See MAR finding number 5.

6. Revenue Maximization

- A. There was no documentation to support how the amounts charged for dispatching and law enforcement services were determined. In addition, contracts for dispatching services were not current.
- B. The county did not properly monitor reimbursement for projects under the Highway Planning and Construction program. One reimbursement of \$1,106 which was submitted to the Missouri Department of Transportation (MODOT) in July 2000 was not received by the county until July 2001. Two other potential claims were not submitted to MODOT for reimbursement.

Recommendation:

The County Commission:

- A. Perform and document cost analyses of providing services to other entities. In addition, the County Commission should ensure all contracts are maintained on a current basis.
- B. Monitor bridge project reimbursement claims to ensure that claims are submitted and reimbursements are received in a timely manner.

Status:

- A. Partially implemented. The county has signed new contracts for some of the dispatching and law enforcement services. However, the county still has not performed and documented cost analyses of providing these services. Although not repeated in the current MAR, the recommendation remains as stated above.
- B. Implemented.

7. County Commission Minutes

- A. The daily business of the County Commission was not adequately documented in the County Commission minutes. In addition, the typed minutes were not reviewed and signed by the Presiding Commissioner or an Associate Commissioner in his absence. Finally, the minutes were not prepared in a timely manner.
- B. Proper notice was not always given for the County Commission meetings as required. The County Commission did not post an agenda for meetings.
- C. The County Clerk did not prepare minutes for the closed session of meetings of the County Commission. In addition, it is not evident that the final disposition of matters discussed in closed meetings were made public.

Recommendation:

The County Commission:

- A. Ensure a complete record of the meetings is prepared and approved on a timely basis.
- B. Ensure timely, accurate, and complete notice is given for all meetings of the board as required by law.
- C. Prepare minutes for all closed meetings.

Status:

A, B

&C. Not implemented. See MAR finding number 2.

8. Associate Commissioners' Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Mercer County's Associate County Commissioners salaries were each increased approximately \$6,065 yearly.

Recommendation:

The County Commission review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

Status:

Not implemented. The County Commission has not obtained a written legal opinion regarding the impact of this decision. Although not repeated in the current MAR, the recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MERCER COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Mercer was named after Hugh F. Mercer, a Revolutionary War general. Mercer County is a township-organized, third-class county and is part of the Third Judicial Circuit. The county seat is Princeton.

Mercer County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 153 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 431 miles of county roads.

The county's population was 4,910 in 1980 and 4,003 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,				
		2004	2003	2002	2001	1985* 1980**
		(in millions)				
Real estate	\$	27.0	26.8	26.2	26.0	21.3 14.9
Personal property		16.9	17.3	16.8	15.6	6.5 6.7
Railroad and utilities		7.7	8.2	7.5	6.7	1.4 1.5
Total	\$	51.6	52.3	50.5	48.3	29.2 23.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Mercer County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2004	2003	2002	2001
General Revenue Fund	\$.2400	.2600	.2500	.2800
Health Center Fund		.3000	.3000	.3000	.1000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),			
		2005	2004	2003	2002
State of Missouri	\$	16,105	15,938	15,344	14,776
General Revenue Fund		138,888	147,913	133,463	148,628
Special Road and Bridge Fund		416	735	190	325
Assessment Fund		49,325	29,613	36,777	34,422
Health Center Fund		154,548	153,296	144,380	48,739
Townships		59,511	58,582	56,015	54,059
Townships road and bridge		119,208	117,707	114,635	111,562
Townships special road and bridge		226,547	225,760	216,883	209,014
School districts		2,478,058	2,451,815	2,283,413	2,217,812
Library district		104,701	104,201	100,105	96,286
Ambulance district		174,393	173,487	166,644	160,396
Fire protection district		154,974	154,272	148,291	142,582
Cities		38,139	40,759	35,244	35,580
County Clerk		209	209	205	194
County Employees' Retirement		10,348	8,018	7,934	6,815
Tax Maintenance Fund		3,910	3,867	1,317	0
Commissions and fees:					
Ex-Officio County Collector		381	178	259	341
Township collectors		29,608	27,303	27,663	26,881
General Revenue Fund		32,081	29,501	28,838	23,018
Total	\$	3,791,350	3,743,154	3,517,600	3,331,430

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),			
		2005	2004	2003	2002
Real estate		96	94	94	95 %
Personal property		93	93	93	92
Railroad and utilities		100	100	100	100

Mercer County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	%
General	\$.0050	None	50	
General	.0050	None	None	
Road and Bridge	.0025	2006	None	
Law Enforcement	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2005	2004	2003	2002	2001
County-Paid Officials:	\$				
Clifford Shipley, Presiding Commissioner		21,800	21,800	20,612	20,612
Rudy J. Finney, Associate Commissioner		18,612	18,612	18,612	18,612
Robert E. Jones, Associate Commissioner		18,612	18,612	18,612	18,612
Carolyn Kost, County Clerk (1)		30,110	30,098	28,313	28,269
John L. Young, Prosecuting Attorney		38,000	38,000	0	0
Jay Hemenway, Prosecuting Attorney		0	0	35,720	35,720
Duane Hobbs, Sheriff		34,780	34,780	34,780	34,780
Michael Greenlee, County Coroner		6,990	6,990	6,990	6,990
Carolyn Sealine, Public Administrator (2)		15,040	15,040	15,063	15,656
Ray Woodward, Treasurer and Ex Officio County Collector (3), year ended March 31,	28,581	28,378	28,459	28,541	
Norberta DeMoss, County Assessor (4), year ended August 31,		28,951	29,078	29,100	29,100

(1) Includes \$110, \$98, \$113, and \$69 in fees received respectively from the sale of hunting and fishing permits.

(2) Includes salary of \$15,040 in 2002 and fees received from probate cases in 2002 and salary of \$14,100 and fees received from probate cases in 2001.

(3) Includes salary of \$28,200 and commissions earned for collecting city property taxes.

(4) Includes \$751 and \$878 annual compensation received from the state in 2004 and 2003, respectively. Includes \$900 annual compensation received for the state in 2002 and 2001.

State-Paid Officials:

Patricia Stamper, Circuit Clerk and Ex Officio Recorder of Deeds	47,900	47,300	47,300	47,300
James Funk, Associate Circuit Judge	96,000	96,000	96,000	96,000

A new county wide recreation district was approved by voters in 2004. A ½ cent sales tax for the recreation district was passed in February 2005.